

Hinchey, Welch, Schakowsky, and George Miller Leading Push to Save the Public \$156 Billion and Reduce Drug Costs for Seniors.

Washington, DC -- With debt reduction talks intensifying, a group of 78 U.S. House members are renewing a push to require bulk-rate negotiation of prescription drug prices -- a plan that would save the federal government an estimated \$156 billion over 10 years and reduce drug costs for seniors by up to \$27 billion over the same time period. The group, led by Reps. Maurice Hinchey (D-NY), Peter Welch (D-VT), Jan Schakowsky (D-IL) and George Miller (D-CA), is sending a letter to members of the Joint Select Committee on Deficit Reduction, requesting that the reform be included in any final debt reduction package that will be linked to a vote on raising the debt ceiling.

"The Super Committee is facing a lot of difficult choices, but one easy decision would be to require Medicare to negotiate lower prescription drug prices for seniors," Hinchey said. "This simple change of policy would save the federal government \$156 billion over 10 years and keep more money in the pockets of our nation's seniors. Ever since the creation of the Medicare prescription drug program, I have fought to allow for direct negotiation because it would save the public and seniors, in particular, billions of dollars every year. This is the right thing to do, and I think we may have a chance to get it done through the ongoing negotiations over reducing our national debt."

"At a time when we're working to get the nation's fiscal house in order, putting the federal government's purchasing power to work to save money is simply common sense. Paying retail rates for wholesale purchases is a good deal for the pharmaceutical company but a bad deal for the taxpayer," Welch said. "It's long past time we put an end to this misguided policy."

"I have opposed the ban on price negotiation from the day it was included in the Republican bill," Schakowsky said. "It just makes sense that Medicare should use its bargaining power to negotiate for lower drug prices -- just as the VA does. Price negotiation will lower costs to seniors and people with disabilities and save taxpayers \$156 billion. On the other hand, the only winners from the current prohibition on price negotiation are the drug companies. It's time to stand with consumers and taxpayers, not the pharmaceutical industry."

Miller added, "Finally allowing Medicare to negotiate prescription drug prices with the largest

pharmaceutical companies will lower drug costs for our nation's seniors and save taxpayers money. It is that simple. There is no question that this is one smart decision that the Super Committee should make for seniors and for the American public."

The change would require the Secretary of Health and Human Services to negotiate prescription drug prices on behalf of Medicare Part D beneficiaries. The 2004 legislation, which created the Medicare Part D prescription drug program, explicitly prohibits the federal government from negotiating bulk rate discounts. The anti-negotiation provision was passed by a Republican House and Senate, and signed into law by President George W. Bush, over the objections of Democrats.

Co-signers include Reps. Sam Farr, Jesse L. Jackson Jr., Carolyn B. Maloney, James R. Langevin, John W. Olver, Barbara Lee, Gwen Moore, Michael H. Michaud, James P. Moran, Jackie Speier, Eleanor Holmes Norton, Rick Larsen, John Conyers Jr., Keith Ellison, Louise M. Slaughter, Marcy Kaptur, Dennis J. Kucinich, Rosa L. DeLauro, Hansen Clarke, Kathy Hochul, Paul Tonko, Tim Bishop, Chellie Pingree, Daniel Lipinski, Jerrold Nadler, Kathy Castor, Elijah E. Cummings, Judy Chu, Peter A. DeFazio, Howard L. Berman, Michael M. Honda, Tammy Baldwin, Edward J. Markey, Donna F. Edwards, Bob Filner, Raul M. Grijalva, Marcia L. Fudge, Wm. Lacy Clay, Charles B. Rangel, Earl Blumenauer, Donna M. Christensen, Lynn C. Woolsey, Barney Frank, Nita M. Lowey, Bruce L. Braley, Brian Higgins, Lois Capps, Larry Kissell, James P. McGovern, Shelley Berkley, Dale E. Kildee, Stephen F. Lynch, Lloyd Doggett, Theodore E. Deutch, Susan A. Davis, Joe Baca, Yvette D. Clarke, Bobby Scott, John A. Yarmuth, Christopher S. Murphy, Michael E. Capuano, Charles A. Gonzalez, Mark S. Critz, David N. Cicilline, Alcee L. Hastings, Karen R. Bass, Luis V. Gutiérrez, Laura Richardson, Lucille Roybal-Allard, Bobby L. Rush, Jim McDermott, John Garamendi, John Lewis, and Robert E. Andrews.

The text of the 
[letter](#) follows:

October 5, 2011

The Honorable Patty Murray
The Honorable Jeb Hensarling

Co-Chairs Joint Select Committee on Deficit Reduction

The Honorable Xavier Becerra
The Honorable Dave Camp
The Honorable James E. Clyburn
The Honorable Fred Upton
The Honorable Chris Van Hollen
The Honorable Max Baucus
The Honorable Jon Kyl
The Honorable John Kerry
The Honorable Rob Portman
The Honorable Pat Toomey

Members Joint Select Committee on Deficit Reduction

Dear Co-Chairs and Members,

As the Joint Select Committee on Deficit Reduction considers reforms to reduce our nation's debt, we write to express our strong support for requiring the Secretary of Health and Human Services to negotiate prescription drug prices for plans offered under Medicare Part D. This important reform will yield significant cost savings for the federal government, as well as seniors and individuals with disabilities, while also strengthening Medicare for current and future beneficiaries.

Since the enactment of the Medicare Modernization Act, which created the Medicare Part D program, the federal government has been prohibited from directly negotiating with pharmaceutical companies for lower prescription drug prices for the 28 million seniors and individuals with disabilities who participate in Medicare Part D. If Medicare negotiated directly with drug manufacturers and was able to bring drug prices down to Medicaid levels, a 2008 report by the House Committee on Oversight and Government Reform found taxpayers would save \$156 billion over 10 years. Moreover, Medicare beneficiaries could save up to \$27 billion over the same period of time.

There are numerous examples of how the Part D program is forcing taxpayers, seniors and

individuals with disabilities to pay more than they should for prescription drugs. For example, beneficiaries who are eligible for coverage under both Medicaid and Medicare, commonly referred to as dual-eligibles, are required to obtain prescription drug coverage through Medicare Part D even though current law allows Medicaid to set limits on the amount the program will pay for prescription drugs, which has produced significant savings. In fact, the House Committee on Oversight and Government Reform study found that the cost of providing the top 100 drugs to dual-eligibles was 30 percent higher under Medicare than it would have been under Medicaid. In addition, the independent Congressional Budget Office estimated that requiring manufacturers to pay Medicaid-level rebates for low-income Medicare beneficiaries would reduce Part D costs by \$112 billion over 10 years.

Moreover, a recent report by the Department of Health and Human Services' Office of Inspector General concluded that Medicaid's net costs (net costs equal pharmacy reimbursement minus drug manufacturer rebates) for the 100 most prescribed brand-name drugs were 34 percent lower than net costs under Medicare Part D. Both Medicaid and Medicare Part D benefit from rebates from drug manufactures. However, the rebates paid to Medicaid for the 100 most prescribed brand-name drugs were three times greater than the rebates paid to Medicare Part D for the same prescription drugs. In addition, while drug rebates reduced Medicare Part D expenditures by 19 percent for the same 100 brand-name drugs, Medicaid saw savings of 45 percent due to mandated rebates.

While the administration of Medicare Part D has been a lost opportunity for cost savings thus far, allowing the Secretary of Health and Human Services to negotiate prescription drug prices as she does for Medicaid beneficiaries would lead to significant deficit reduction in the future without sacrificing seniors' benefits. We have the opportunity to dramatically curb the costs, and at a time of tough budgets for both families and the government, we simply cannot afford to leave these real savings on the table. We strongly encourage you to include this reform in the Committee's legislation to reduce the national debt.

Sincerely,

Maurice D. Hinchey
Jan Schakowsky
George Miller
Peter Welch